

USAID/Philippines

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Philippines

A. Program Performance Summary

Program Narrative (FY 2004): Program Performance Summary

Program Narrative (FY 2004): Background: Endemic corruption, weak governance, and conflict continue to impede the Philippines' economic and social development. Forty-six percent of the country's population lives on \$2/day or less and income distribution remains highly skewed. The Philippines continues to manifest key symptoms of underdevelopment: a high population growth rate; destructive exploitation of natural resources (including unique biodiversity); and separatist violence in Mindanao and nationwide violence by the National People's Army (declared a terrorist organization by the U.S. in 2002).

Muslim Filipinos, constituting about 5% of the population, are concentrated in the western and southern areas of Mindanao. They often lack access to basic services, have few viable economic opportunities, and resent government policies perceived as favoring the Christian majority. It is therefore perhaps not surprising that Mindanao has been a center of separatist conflict and sporadic terrorist activity. The Abu Sayyaf Group (ASG) -- also a U.S.-designated terrorist organization -- remains active in Mindanao, and the GRP acknowledges that operatives of the Al-Qaeda-linked Jemaah Islamiya are present in Mindanao. The Communist Party of the Philippines/NPA (CPP/NPA) is one of Southeast Asia's longest running insurgencies. Its durability can be attributed to the continuing severe poverty and social injustice that plague parts of the country and to the inability of the GRP to defeat or pacify the insurgents by military means. The NPA's strongholds are in the poorer and more isolated areas, and continued poverty and corruption create an environment that can be conducive to instability and violence.

U.S. Interests and Goals: USAID's program focuses on reducing conflict and enhancing stability, encouraging peace and regional security. USAID's new Education program, in particular, addresses the political and social marginalization of Muslim and other conflict-affected communities in Mindanao. USAID's activities also support sustainable, equitable development, which in turn contributes to national and regional stability and USG global interests. The continued success of these efforts reinforces USG diplomatic efforts to preserve and strengthen the important and enduring U.S.-Philippine relationship.

Donor Relations: Donor coordination is good and there is general consensus on the priority development challenges. The largest donors are the Japan Bank for International Cooperation (JBIC), the Asian Development Bank (ADB), and the World Bank, all of whom primarily provide loans for infrastructure or policy reform. USAID collaborates with ADB and the World Bank on policy reform in energy, basic grains, bank and non-bank financial regulation, and expenditure management. The overall U.S. Mission maintains an active dialogue with the International Monetary Fund (IMF), which has a small but influential technical assistance program that includes tax administration. The United Nations Development Program (UNDP) helps coordinate donor activities in Mindanao. USAID communicates regularly with JBIC and JICA, and currently is discussing collaboration on renewable energy and urban water financing. Australia and Canada include an emphasis on Mindanao, corruption, and governance that complements USAID's strategy. Several donors have new education initiatives and have formed a working group on education. Other bilateral donors include the European Commission and other European Union members, who emphasize direct assistance to small enterprises and small farmers.

Challenges: The Philippines has made important gains in recent years but still faces formidable challenges. One of the greatest is armed conflict in Mindanao, and kidnappings and violence that discourage foreign investment. Corruption has constrained competitive markets and limited the government's capacity to raise revenue and invest in human resources and infrastructure; these continue to erode. The investment climate is dampened by continuing conflict and corruption, deficient infrastructure, a weak judiciary and weak regulatory bodies. Relatively high levels of government debt, much of it dollar-denominated, increase vulnerability to external and domestic shocks. The country's annual population growth rate is high (2.36%) though the economy already cannot absorb the many new entrants, especially in the poorest parts of the country (e.g., the conflict-affected areas of Mindanao). The

Philippines education system, once one of the best in Asia, has deteriorated alarmingly in both quality and access. Key comparative advantages (e.g., a literate English-speaking labor force) are disappearing. Environmental degradation is an increasingly grave threat to food security and the country's significant biological diversity. High deforestation rates, problematic water supply and over-fishing contribute to increasing rural-to-urban migration, placing greater stress on already inadequate infrastructure.

Key Achievements:

USAID/Philippines' assistance in FY 2004 was organized around five Strategic Objectives: the separatist conflict in Mindanao; corruption and economic governance; management of the energy sector and the country's unique natural resources; population and health; and improving access to quality education. Assistance under all Objectives prioritizes the conflict-affected areas of Mindanao, and reducing corruption, improving governance and engaging the private-sector are cross-cutting emphases.

Strategic Objective: Prospects for Peace in Mindanao Strengthened

This SO addresses some of the underlying problems that have created conditions conducive to conflict in Muslim Mindanao: lack of economic opportunities and perceived neglect by both local and central governments. Activities consist of efforts to reintegrate former combatants and their communities into the mainstream economy; improve economic infrastructure; accelerate business and economic development; increase access to microfinance services; improve governance; and expand availability of social services.

A total of 25,165 Moro National Liberation Front (MNLF) ex-combatants have received livelihood assistance under our highly successful "Arms to Farm" (LEAP) program; approximately 24,000 of these have "graduated" from training (the balance will graduate in 2005) and are now capable of earning a living peacefully. Some 3,162 have diversified to higher value crops and over 2,000 are now earning higher incomes. To make their agricultural activities more productive USAID has delivered over 500 pre- and post-harvest facilities to their communities. Some 202 community infrastructure projects and 10 mid-scale infrastructure projects are either completed or under construction. These will benefit over 800,000 people by reducing transportation costs, increasing productivity and improving access to markets.

A total of 104 schools received computers with internet connections through USAID partnerships with the private sector (e.g. Microsoft, Intel, Ayala Foundation). USAID's matching grant program with Parent Teacher Community Associations (PTCA) funded education improvements in 105 schools and served to encourage community participation in upgrading education in their localities.

Some 81 rural banks units received training and technical assistance to develop their capability to profitably service the microenterprise market, bringing the total number of participating bank units to 198. These have provided Pesos 4.8 billion (approximately \$85 million) in loans to about 157,000 microenterprises. In addition, 54,000 micro-depositors opened accounts in 2004, increasing the total to 242,000 now regularly saving at the participating banks.

Mindanao exports to China of fruit, vegetables and fishing products increased by 34% to US \$9.6 million in the last year, with USAID assistance in marketing, business matching and information sharing playing an important role. Following establishment of a "cold chain" for vegetables from Bukidnon, shipments to the Manila market, using the cold chain, increased 200% since December 2002. Finally, USAID has trained more than 155 personnel in an effort to strengthen institutional capacity in the Autonomous Region in Muslim Mindanao (ARMM).

Strategic Objective: Performance of Selected Institutions Improved

This SO addresses issues that cause sluggish economic growth: conflict and corruption. Improved economic governance also contributes to the investment and job growth needed to reduce poverty and to create an economic environment conducive to conflict reduction in Mindanao. The program also enhances trade and investment opportunities.

USAID assistance in economic policy, trade and investment provided critical support for: (a) passage of the Optical Media Law for a stronger legal framework for IPR protection; (b) an improved Super Green Lane customs processing program and a management information system for effective enforcement of the Intellectual Property Code; (c) improved capacity of the Securities and Exchange Commission with its market surveillance system; (d) integration of Microfinance Best Practices into law and regulation; (e) promotion of "Roll-on/Roll-off" systems to allow greater efficiency in inter-island transport; and (f) increased capacity of the Department of Agriculture for proper implementation of biotech regulations.

USAID helped reduce conflict and increase access to justice for the disadvantaged, especially women, through assistance for (a) training over 600 mediators in municipal courts and 1,545 volunteer community mediators from 309 villages in the ARMM; (b) systems and materials for case flow management; (c) civil society inputs to Supreme Court reform; and (d) release of 400 detainees who had completed their required time in jail but were still behind bars (supporting the rule of law). USAID also supported Judge to Judge Dialogues that allowed 135 Filipino judges to exchange views with prominent judges and legal scholars from the U.S., Thailand and Australia, as well as reforms of the Bar Examination.

USAID support for the GRP's anti-corruption efforts resulted in: (a) improved anti-corruption effectiveness of the Revenue Integrity Protection Service; (b) improved corruption investigation at the Office of the Ombudsman; (c) identification of integrity problems and reform measures at the Office of the Ombudsman and the Department of Education; and (d) a much faster, transparent and customer friendly business permit renewal process in seven Mindanao cities.

Strategic Objective: Desired Family Size and Improved Health Sustainability Achieved

USAID's family planning and health objective is helping Filipinos to achieve their desired family size and improve health and nutritional status, particularly of women and children. It provided technical assistance to improve the capacity of local government units (LGU) to deliver family planning services, expand TB diagnosis and treatment, and improve other vital health services focused particularly on the poor. It mobilized business support and involvement in family planning, TB prevention and treatment, and food fortification, encouraging the commercial sector to significantly increase its share of the overall contraceptive market. It mobilized "champions" who will inform the public about the value of family planning, and supported multi-media communication campaigns to promote the use of modern contraceptives. USAID also has specialized activities to improve the dramatically poor health indicators in the conflict-affected areas of Mindanao and other marginalized areas of the country.

Program outputs are on track and contributing to expected outcomes. Significant milestones have been achieved in public and private sector delivery of family planning and TB services. There is increased awareness and acceptance of family planning, together with an intensified popular debate on the virtues of a strong population management program, a view championed by the business community and many academics and politicians. According to the 2003 National Demographic and Health Survey, contraceptive prevalence rate has increased by 1.5% (from 33.4-34.9%) in the past year. Maternal health and child survival program activities have contributed to the significant reduction in under-five mortality, and the government has pledged to ensure enforcement of the law on food fortification. Efforts to move the country towards contraceptive self-reliance are in place and health systems and health outcomes are improving in the conflict-affected areas of Mindanao.

Strategic Objective: Productive Life-Sustaining Natural Resources Protected

USAID's environment and energy objective strengthens management of key natural resources, with a focus on Mindanao, other conflict-affected areas, and high-biodiversity sites. It addresses declining productivity due to over-exploitation and poor governance of forest, coastal and fishery resources, thereby supporting improved food security and poverty reduction; promotes access to adequate, clean and affordable energy; provides renewable energy to remote communities; helps to reduce pollution from vehicle emissions, solid waste and waste water; and seeks to expand access to clean water.

The SO has achieved important results in forest and coastal resource management and rural

electrification. Over 40,000 hectares of coastal waters have been placed under improved management, and USAID helped local governments and communities manage 284,335 hectares of forest cover. Energy sector reforms are taking place, and USAID brought electricity to over 4,000 households in isolated, conflict-affected areas of Mindanao. Efforts to mitigate the environmental and health hazards of air pollution and improper waste management met with success in both rural and urban areas. USAID initiated a new collaborative effort with the Japanese to bring clean water and sanitation to more Filipinos. New policies and laws, such as the landmark Clean Water Act and the ARMM's Sustainable Forest Management Act, are providing the legal underpinning for long-term success and scaling up of USAID-initiated natural resource protection and management efforts.

Strategic Objective: Increased Access to Quality Education and Livelihood Skills in Selected Areas

USAID's basic education objective focuses on Mindanao, specifically the ARMM and neighboring conflict affected areas. It aims to build stability with improved access to quality education and livelihood skills for out-of-school youth by: establishing community learning centers with flexible learning options; empowering PTCAs and local school boards to play an active role in mobilizing and managing educational resources; strengthening capacity for teaching Math, Science and English; providing learning opportunities through Educational TV or radio; linking vocational education and livelihood training with employment opportunities; and helping Islamic schools (madaris) to teach courses, such as math and science, for accreditation by the Department of Education. USAID/Philippines implemented the Pilot Education Assistance Program for Mindanao through the U.S. Peace Corps, training 116 trainers from the ARMM and conflict affected areas. In turn, these trainers have conducted workshops for 328 elementary and high school teachers to improve the teaching of English and ICT.

With Congressionally earmarked funds, the American Foreign Policy Council-Asia Pacific Initiative (AFPC-API) implemented a model schools project under its existing Development for Peace in Sulu program. Seven elementary and five high schools in Jolo are being established as model schools with increased involvement by parents, teachers and the community. These schools will have the potential to serve as teacher training and vocational training centers.

Gender: USAID/Philippines' goals with a gender component include: expanding economic opportunities for women; conserving natural resources by involving women more effectively; bolstering women's voices in achieving desired family size; improving maternal and child health, and stemming the rapid increase of infectious diseases, including HIV/AIDS; and achieving equality in education (where boys tend to drop out of school more than girls) through promotion of gender-equitable policies and practices in basic education in the formal and non-formal sectors. All USAID/Philippines programs are designed to ensure women's participation and integration of gender sensitivity. For example, the Muslim women's dialogue and advocacy for peace and development has become an important development agenda in FY 2004 and is now spreading in Mindanao. This began when USAID/Philippines sponsored eight Mindanao women leaders to the Global Summit of Women in Morocco in June 2003. This was followed by an Echo Forum for the Global Summit of Women in November 2003, bringing together more women leaders, and by a follow-on Conference-Workshop on the Role of Muslim Women in Peace-Building and Development attended by 800 Muslim women in July 2004. These initiatives have resulted in the development of local Muslim women Peace and Development Councils in Mindanao, seeking and advocating peace and development. USAID is also an active participant in the bilateral and multi-lateral donors' gender and development network, composed of gender and WID officers in the donor community. The network has developed a set of gender guidelines jointly with selected GRP agencies to harmonize the donors and government efforts in integrating and mainstreaming gender considerations in development programs.

In support of our new Strategy, a Gender Committee composed of representatives of SO teams has been organized and will be developing a Gender Plan of Action in FY 2005.

For more information, please go to the following web address, www.usaid-ph.gov.

Environmental Compliance: Environmental Compliance:

The mission reviewed all strategic objectives and determined that all current activities are in compliance

with approved Initial Environmental Examinations (IEEs), Environmental Assessments, and Categorical Exclusions and all required mitigations and conditions are being followed.

There are no plans for new or amended Initial Environmental Examinations or Environmental Assessments.

B. SO Level Performance Narrative:**492-002: Governance of Economic and Legal Systems Improved**

Performance Goal: Institutions, laws, and policies foster private sector led growth, macroeconomic stability, and poverty reduction

SO FY2004 Performance Overview: In FY 2004, overall progress as measured by SO2's indicators showed improvements despite rising international oil prices, rising inflation, upward pressure on domestic and foreign interest rates, and pressure on the peso. SO2 indicators, i.e., gross capital formation, domestic tax effort, and growth in female private sector formal employment, met target levels for FY 2004. The higher than expected GDP growth rate and a significant increase in construction investments are credited for the improvement in the gross capital formation. In FY 2004, the GRP managed to increase revenue collection from taxes and customs duties. This resulted in an improvement in the domestic tax effort to 13% for the first nine months of 2004, up from 12% in 2003 -- though still far behind the 1997 figure of 17%. In FY 2004, USAID continued to provide technical assistance to the major revenue generating agencies to enhance revenue by improving the agencies' systems and procedures. Growth in private formal sector employment for both males and females has improved significantly. This can be attributed to continued expansion in employment in the service sector and strong recovery in the industrial sector. The FY 2004 estimate for effective protection rate, the last SO2 indicator, is not available.

In FY 2004, USAID's economic governance program continued to focus assistance in the areas of anti-corruption and conflict mitigation, promoting competition, and strengthening of economic institutions. USAID's assistance to the GRP's executive and legislative agencies supported achievement of policy milestones that include approval of: Optical Media Law; Alternative Dispute Resolution Law; memorandum circular by the Department of Interior and Local Government (DILG) asking all local government units (LGUs) to help enforce intellectual property rights; memorandum order by the Bureau of Customs revitalizing the Super Green Lane (SGL) facility; memorandum circular on insect resistance management associated with biotechnology products by the Department of Agriculture (DA); the DOTC circular laying the groundwork for the adoption of Voice Over Internet Protocol (VoIP); and a National Telecommunications Commission (NTC) directive promoting competition in cable TV program arrangements.

The most pressing challenge in FY 2005 is to provide the GRP much needed assistance in its efforts to reduce the fiscal deficit. Raising revenues to take control of the fiscal deficit is the GRP's top immediate priority. In the near term, revenue can be increased by improving tax administration to raise collections and by revising tax policies to strengthen the tax base. In the long term, such approaches could be combined with institutional reform of the Bureau of Internal Revenue (BIR) to improve its organizational effectiveness. In FY 2005, USAID will continue to assist the GRP in its efforts to reduce corruption, improve public sector governance, and promote competition.

FY 2004 SO Performance:***Improve Economic Policy And Governance***

In FY 2004, USAID's assistance to improve economic policy and governance focused on the implementation and support for policy reforms and strengthening of economic institutions. In FY 2004, USAID supported the BIR to improve its capacity to manage, track, and evaluate the performance of its staff through piloting a competency-based performance evaluation system in the Large Taxpayer's Service unit. Technical assistance was provided for the regular measurement of the results and impact of its programs and services on tax collections, taxpayer level of compliance, and satisfaction with BIR services.

On fiscal policy, USAID provided technical assistance in reviewing BIR tax rulings to the Department of Finance (DOF)-led Tax Rulings Review Committee to help bring greater consistency and integrity to the

previously secret process of tax rulings that invited corruption. USAID provided assistance to the DOF in monitoring contingent liabilities by reviewing Build-Operate-Transfer (BOT) contracts, designing part of the Liability Management System (LMS), and training DOF's Contingent Liabilities Unit.

USAID's assistance to the Bureau of Customs (BOC) focused on trade facilitation and reduction of transactions costs associated with imports of final and intermediate products. USAID supported the BOC in the conduct of a series of workshops to formulate a standard for the description of most frequently imported goods and draft an information systems plan for 2004-2009. USAID helped revitalize the Super Green Lane (SGL) customs processing program by providing inputs to the draft Customs Memorandum Order issued by the BOC Commissioner and training of BOC personnel.

To strengthen the capacity of the Anti-Money Laundering Council (AMLC), technical assistance was provided to the Bids and Awards Committee of the AMLC to help them understand the government's procurement requirements and procedures. This will enable the AMLC to implement its computerization program.

Improve Justice Sector/Legal Framework

In FY 2004, USAID's assistance in the area of justice sector reform focused on activities that promote the institutionalization of Alternative Dispute Resolution (ADR) at various levels of the judicial system, reduce court congestion and delay, increase judicial transparency and accountability, improve case management in courts, and promote judicial and legal professional standards. USAID helped in the preparation for the full integration of mediation in the Court of Appeals and provided technical assistance in drafting mediation guidelines and a mediation manual. USAID also sponsored a workshop on mediation guidelines and fee structure. At the community level, USAID supported the training of 1,545 volunteer community mediators from 309 communities in the ARMM. This activity teaches communities how to resolve disputes peacefully and quickly and provides greater access to justice by the disadvantaged, while reducing caseloads in municipal courts.

USAID provided assistance in the development of case flow management (CFM) software, the training of court personnel on the use of the software, and the printing and distribution of 2,000 copies of the CFM manual. The Philippine Supreme Court is now planning the roll-out of CFM to other courts in the country funded primarily through its World Bank loan.

In the area of judicial transparency and accountability, USAID supported civil society organizations that monitor the progress of the courts in selected cities and funded the conduct of a survey on the state of the judiciary and the legal profession, which was presented to the Supreme Court as a major input to ongoing reform efforts. In an effort to enhance access to justice, USAID supported the work of the Integrated Bar of the Philippines to get 400 detainees who had completed their sentences released from jails. USAID supported the conduct of "Judge to Judge Dialogues" that allowed 135 Filipino judges to exchange views and learn from prominent and highly respected judges and legal scholars from other jurisdictions like the United States, Thailand, and Australia. Technical assistance was also provided to the Supreme Court in formulating short-, medium-, and long-term reforms to the Bar Examination.

Increase Agricultural Productivity

USAID has provided vital support to the GRP to ensure the safe and responsible use of modern biotechnology and Genetically Modified Organisms (GMO). USAID provided technical support to the Department of Agriculture (DA) in its efforts to come up with guidelines for the commercialization of biotechnology products, now embodied in DA Administrative Order (AO) No. 8. USAID's assistance in building the capacity of DA and its regulatory agencies on field testing and insect resistance management monitoring helped ensure the proper implementation of AO No. 8. These resources will encourage further use of GMOs in Philippine agriculture.

Increase Participation In Global Trade And Investment

USAID supported the GRP's initiatives to develop a more stable policy and legal framework for the protection of intellectual property rights (IPR). President Arroyo signed into law Republic Act (RA) 9239 or the Optical Media Law on February 10, 2004. USAID provided technical assistance to the Intellectual Property Office (IPO) and private stakeholders in getting the law enacted. USAID supported the drafting and publication of the Handbook on Investigation of IP cases, which was distributed to prosecutors and law enforcement personnel involved in IPR protection. In addition, USAID supported the IPO in the preparation and conduct of a series of regional roundtable discussions on IPR.

USAID helped the Bureau of Customs IP Unit develop a management information system that contains a record of the details of IP owners' trademarks, patents, and copyrights as well as other import/export registration information requirements. This information will be used for the effective enforcement of the IP Code at the border and on a post entry basis. Support was also provided to the training of Bureau of Customs IP Unit on IPR issues and improving commitment to protect IPR at the border.

In FY 2004, USAID also assisted in developing a transparent and competitive policy environment in ports administration, supporting initiatives toward a fully deregulated shipping industry, promoting competition in telecommunications, and increasing access to information and communications services. In particular, USAID provided technical assistance to concerned GRP agencies in their efforts to promote Roll-on/Roll-off (RoRo) as a more efficient transportation method. Pre-feasibility studies of RoRo trunk routes were conducted and presented to the GRP and other stakeholders. Assistance was provided to the National Telecommunications Commission (NTC) in the drafting of a memorandum circular that prohibits exclusive arrangements between cable operators and cable program providers for a period of 10 years (to encourage competition), as well as in the drafting of a memorandum circular on Voice Over Internet Protocol (VoIP).

Promote And Support Anti-Corruption Reforms

In FY 2004, USAID has vigorously supported the GRP's anti-corruption efforts. In December 2003, President Arroyo issued an executive order creating the Revenue Integrity Protection Service (RIPS) at the Department of Finance (DOF). The RIPS is mandated to work closely with the Office of the Ombudsman to help reduce corruption in the revenue collection agencies. USAID helped the DOF prepare and implement the strategic plan to institutionalize and ensure the anti-corruption effectiveness of the RIPS. USAID also supported the training of RIPS personnel on financial investigation, graft fact-finding, and research investigation. USAID assisted the Office of the Ombudsman in designing and delivering a five-day Prosecutors' Trial Advocacy Skills Development Course, additional training modules on corruption investigation, and a Prosecutors Manual. In addition, USAID assisted the Office of the Ombudsman and the Department of Education to prepare for Integrity Development Reviews that identify integrity problems and reform measures in these three high-risk government agencies.

Promote And Support Free And Fair Elections

The Philippine presidential election was held in May 2004. USAID fielded international elections experts to monitor the campaign, polling on election day, and the canvassing of the vote. The presence of the USAID team facilitated dialogue between the major parties involved in the election, and increased the credibility of the results. Still, there were many areas in which the election process could have been improved, and on July 22, the election team helped hold a post-election roundtable to solicit input from Filipino stakeholders on how to address electoral problems. In late August 2004, the team issued a comprehensive report with findings and recommendations for election reform based on the results of the election roundtable. Based on these recommendations, in FY 2005 USAID will support a program aimed at improving electoral administration.

Strengthen The Financial Sector's Contribution To Economic Growth

USAID's assistance in this area is aimed at improving the regulation of financial markets and the protection of investors to increase investor confidence and willingness to invest. In particular, USAID provided support to strengthen the capacity of the Securities and Exchange Commission (SEC) through training in the use of the Advanced Warning and Control Systems (AWACS) market surveillance system. Assistance was also provided in the drafting of the Manual on Supervision and Examination for Thrift, Rural, and Cooperative Banks

USAID's support to the National Credit Council, to help establish an enabling policy environment for microfinance, focused on the integration of Microfinance Best Practices into law and regulation. In particular, USAID provided technical assistance for the development of a uniform set of performance standards for all types of microfinance institutions (MFIs) in the Philippines. These standards were developed to allow greater transparency in the operations of MFIs and to provide a tool for the evaluation and assessment of their operations. USAID also supported the establishment of a framework for the effective regulation of credit cooperatives.

To help bridge gaps in credit reporting, USAID provided support for the development of effective credit bureau operations in the Philippines. USAID assistance focused on the review of the current legal environment to identify an appropriate strategy for addressing this weakness.

Support Democratic Local Government And Decentralization

USAID's continuing support to the anti-corruption initiatives of seven Mindanao cities (Cotabato, Dapitan, General Santos, Iligan, Marawi, Samal, and Surigao), particularly in the areas of business permit renewals, procurement training, public service, and ethics and accountability, has resulted in, among other things, shorter business permit renewal processes of, in some cases, less than three hours compared to days in the past; more transparent procurement processes; and more customer friendly local governments.

USAID provided technical assistance to 379 communities and 43 municipalities in the ARMM in undertaking participatory planning and budgeting. An impact assessment of the governance project in the ARMM noted the positive impact of the technical assistance in facilitating the active participation of ARMM citizens in government planning and budgeting process.

As part of USAID's continuing support to procurement reform, USAID provided assistance in the drafting of government procurement manuals. USAID also helped the Office of the Ombudsman and civil society organizations, such as the Transparency and Accountability Network (TAN) and Procurement Watch, to implement a capacity building program to monitor and evaluate public procurement practices. In particular, through the TAN, USAID has continuously supported the Department of Education's textbook monitoring campaign for the delivery of textbooks. At the local level, USAID has supported the training of about 500 members of local bids and awards committees on the new Procurement Law, with emphasis on rooting out corrupt practices.

Under the Development Credit Authority (DCA) Program, USAID's continuing support to the private sector-owned Local Government Unit Guarantee Corporation has made possible the guarantee of \$17.2 million in local government infrastructure projects. The Guarantee Agreement was extended for another year and is set to guarantee water and sanitation projects in collaboration with other donors and financial institutions.

Strategic & Special Objective Closeout Report: Not applicable.

SO: 492-002**SO Title:** Governance of Economic and Legal Systems Improved**Program Title:** Economic Governance**Status:** Continuing

Indicator	Weight	Baseline Year	Baseline Year Data	Progress Direction + or -	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	Date Last Quality Assess
Domestic Tax Effort	3	2000	11	+	11.3	14	10.3	11	12	12	13	0	2004
Gross Capital Formation	1	2000	20	+	21.4	30	20.4	22	22	23	23	0	2004
Growth in Private, Formal Sector Employment by Gender: Female	2	2000	-1		5.5	5	5.4	5	2.6	5	53	0	2001
Growth in Private, Formal Sector Employment by Gender: Male	2	2000	-1	+	1.5	5	2	5	3	5	45	0	2004
Level of Trade Protection (Effective Protection Rate)	3	2000	15	-	14.1	13	12.6	12.5	11.8	12	0	0	2004

492-003: Desired Family Size and Improved Health Sustainably Achieved

Performance Goal: Improved global health, including child, maternal, and reproductive health, and the reduction of abortion and disease, especially HIV/AIDS, malaria, and tuberculosis

SO FY2004 Performance Overview: USAID's approach to the health sector in the Philippines seeks to: 1) improve public sector services for the poorest of the poor, 2) strengthen and expand the role of the private sector in health care delivery, 3) support policies that increase access and financing for health services, particularly family planning services, and 4) increase the level of awareness and familiarity of the general public about family planning services and contraceptives. Inadequate budget allocation, inconsistent training in medical schools, and the government's pervasive ambivalence regarding the provision of effective family planning services have contributed to USAID not meeting two of our four SO indicators in FY 2004. Despite this, we remain confident that all four will soon be met. Two new projects, TB-TIPS and PRISM, are now underway and are expected to contribute greatly to increasing TB cure rate and contraceptive prevalence by the end of FY 2005. The business sector has now assumed a strong role in communicating the negative impact of current high population growth rates on the country's sustainable economic development. The business community is realizing the value of investing some of its resources in family planning initiatives. As a result, we expect to see more opportunities for public-private collaboration in the near future. The LEAD project is increasing the participation of local governments in making family planning and other essential health services available to their constituents, especially the poor. The recent upsurge in proactive and productive participation in health care at the grass roots level is particularly encouraging.

FY 2004 SO Performance:***Build Health Systems Capacity***

The GRP, through its Health Sector Reform Agenda (HSRA), has determined that an expansion of the social health insurance program, particularly to the poor, is an urgent priority. USAID supported this initiative. Efforts were made to step up enrolment in the National Health Insurance Program (NHIP). In 2003, social health insurance covered 54% of the country's population. A preliminary estimate for 2004 puts enrollment at 77%. Our goal is to reach 85% of the population with insurance coverage. The latest available figures show that coverage of the indigent population increased from 5.6 million in 2002 to 8.8 million in 2003. This represents 31% of the estimated poor population of the country.

In 2003, NHIP expanded its benefit package to cover services most needed by its members, including raising rates of insurance coverage for hospital room and board by an average of 25%. The program also developed the TB-DOTS coverage package. Since Medicare started in the 1970s, childbirth expenses were not reimbursed. Starting in May 2003, NHIP covered the first two normal spontaneous deliveries in lying-in clinics, midwife-managed clinics, birthing homes, and rural health units. The package covers pre-natal care, delivery care, newborn care, and post-partum care including family planning.

As a result of these benefit enhancements, benefit payments increased from PhP8.8 billion (2002) to PhP10.9 billion (2003), an increase of 24.7%.

Improve Child Survival, Health And Nutrition

Vitamin A is important for a healthy immune system as well as preventing blindness due to micronutrient deficiency. It has also been shown to contribute to at least a 23-35% reduction in the under five year old mortality rate (U5MR). In the Philippines, USAID has played a strong role in developing a sustainable vitamin A capsule (VAC) supplementation strategy. Beginning in 1987, USAID has paved the way for the development of appropriate policies, strategies, and practices to institutionalize VAC supplementation activities both at the national and local levels. Today, USAID assistance is limited to helping local government units increase VAC supplementation coverage in nine regions having low coverage according to the 1998 NDHS, particularly the ARMM.

Overall, VAC supplementation coverage of 6-59 month old children increased from 70.6% (1998 NDHS) to 76.0% (2003 NDHS). During the same period, U5MR also declined from 48 to 40 deaths per 1,000 live births. In the regions where USAID assistance was provided, the VAC supplementation coverage is 92.1% (2003 survey by the implementing partner, Helen Keller International). In ARMM, the coverage increased from 31.8% (1998 NDHS) to 50.5% (2003 NDHS).

Improve Maternal Health And Nutrition

Micronutrient deficiencies continue to be a public health problem in the Philippines. Prevalence of vitamin A deficiency disorder (VADD), iron deficiency anemia (IDA), and iodine deficiency disorder (IDD) for specific at risk groups remains high, particularly for pregnant and lactating women.

The Micronutrient Operational Strategies and Technologies (MOST) Project provides assistance to the GRP in implementing its food fortification strategy as mandated under the Food Fortification Law. In addition, USAID provided assistance in food fortification technology development and dissemination to the private sector. In the public sector, technical assistance to the Bureau of Food and Drugs supported the establishment and implementation of regulations for fortified foods.

In order to encourage the compliance with the Food Fortification Law, the Department of Health instituted the Sangkap Pinoy Seal (fortification seal) Program, which grants the rectangular seal to processed food products and the diamond seal to staple foods that have been certified by the Department as fortified with

vitamin A, iron, and iodine. Currently, 63 brands of processed foods such as noodles, bread, cheese, and sardines, have the Sangkap Pinoy Seal. Among the staples, 13 brands of flour, five brands of cooking oil, one brand of sugar, and two brands of salt have been certified.

Prevent And Control Infectious Diseases Of Major Importance

Tuberculosis continues to be the sixth leading cause of death in the Philippines, but significant strides have been made in recent years in increasing detection and treatment. To date, the country has achieved a TB detection rate of 61% with a global target of 70%. The TB cure rate is currently at 77%, still below the target of 85%. While this can be seen as an underachievement, it is clear now that this target was overly ambitious given the difficulty of breaking down the stigma of TB that keeps 50% of those infected from seeking care. Of those that do seek care, most turn to private sector providers, who are inadequately trained to serve them correctly.

USAID is assisting the expansion of the Directly Observed Therapy-Short course (DOTS), the international standard for effective TB treatment, in difficult and isolated regions of the country comprised of 48 municipalities and three cities. In 2002, USAID launched a new initiative (Philippines - TB Initiative Private Sector or- Phil-TIPS) to strengthen diagnosis and treatment of TB by private sector providers in 25 selected sites nationwide.

USAID contributed to DOTS expansion in the Philippines by helping the Department of Health to increase the use of DOTS in the public sector by about 10%. With this support, fifty one cities and municipalities in three regions covering seven million people (8.3% of the population) are now implementing DOTS. USAID support resulted in substantial improvements in human and infrastructure capacity to implement DOTS. Improved treatment guidelines using DOTS and a certification system for public and private sector DOTS centers for accreditation under the national health insurance (PhilHealth) benefit package have been completed. To date, 17 DOTS centers have been certified by PhilHealth. Public-private mix models for DOTS are being implemented and tested in 25 sites for replication nationwide.

DOTS programs are performing well in the USAID assisted public sector areas. According to the latest figures, case detection rates improved from 50% to 70% between 2001 and 2002. TB cure rates increased from 66% to 75% in USAID assisted municipalities and cities in 2003.

Reduce Transmission And Impact Of HIV/Aids

Many Filipinos in high risk groups engage in practices that could lead to accelerated HIV infection rates. Surveillance work has shown that sexually transmitted diseases (STDs), particularly syphilis, are above 5% -- dangerously high levels. Prostitution in the Philippines is widespread, with an estimated 250,000 plus people engaged in prostitution. Injecting drug use is on the rise. Studies show that low use of condoms in high-risk sexual encounters and inadequate cleaning and control of needles and syringes used by injecting drug users (IDUs) pose a threat to the continued containment of HIV/AIDS. Despite this, the Philippines has largely avoided the explosive HIV/AIDS epidemic experienced in other countries. USAID continued to support HIV/AIDS education of high-risk groups and surveillance, and HIV seroprevalence rates among the most at-risk groups have remained below 3% in all sentinel sites, achieving the SO target.

To meet the growing threat of this disease, the USG Country Team has recently formed an Inter-agency Committee to monitor and guide USG investment in HIV/AIDS control in support of the President's Emergency Plan for AIDS Relief. USAID chairs the committee. The committee has developed its terms of reference and will begin in January 2005 to coordinate different USG agencies' contributions to HIV/AIDS prevention and care in the Philippines.

Survey data in 2003 showed generally increasing levels of knowledge of effective practices to prevent HIV/AIDS among the target groups (66%), although condom use rates during last the last sexual

encounter with regular and non-regular partners were lower (70%, from 81% in 2002). Aggregate results also showed that the men who have sex with men group posted an increase in condom use (from 12% to 19%) from 2002- 2003. The proportion of IDUs sharing injecting equipment decreased 60%, but only a small proportion of them use clean injecting equipment.

USAID will actively encourage and seek public-private partnerships in HIV/AIDS to enable us to leverage additional resources and collaborate with the private sector to ensure a sustainable condom supply for HIV/AIDS control and prevention. Examples of potential activities include: establishing partnerships with private sector social marketing firms to supply low cost condoms to LGUs; expanding the condom market through communication efforts aimed at promoting behavior change; and improving distribution outlets for condoms among the high risk groups.

Reduce Unintended Pregnancy And Improve Healthy Reproductive Behavior

Public discussion and debate on family planning has risen to new levels in the Philippines. The number of articles in major newspapers increased 2.5 times from 938 in FY 2003 to 2,334 in FY 2004. USAID, through The Social Acceptance Project - Family Planning, played a significant role in this development through a series of media orientations and seminars on the importance of population, family planning, and reproductive health. Not only has there been an increase in the number of articles published, but the overwhelming majority have stressed the need for and importance of effective family planning and reproductive health services.

A multi-media campaign to promote modern methods of contraception was conducted in early 2004. A baseline study in 2003 in Metro Manila, Metro Cebu, and Metro Davao revealed that of the sampled 1,200 respondents, 43% were aware of at least one modern method. The subsequent post-campaign survey revealed that awareness had almost doubled, to 75%.

Not only has knowledge of respondents increased, perceptions and attitudes are also more favorable. In the baseline survey, only 18% of respondents said that they discussed family planning with others (notably spouses, friends, and relatives). In the post-campaign survey, the number had increased to 30%. Of those, 30%, 60% had actively encouraged others to adopt family planning practices, while only 3% discouraged it. Focus groups have indicated strong appreciation for this initiative, particularly on gender appropriate messages that speak to the particular concerns of men and women separately.

The result of all these efforts is a growing acceptance in the Philippines of family planning as part of a normal, healthy lifestyle.

The Contraceptive Self-Reliance initiative launched by USAID in 2002 served to focus major attention on the delivery of family planning services by the public sector. USAID and other donors agreed to begin a phase out of purchasing contraceptive commodities for the Philippines. At the same time, President Arroyo announced that no national government funds would be spent in the procurement of contraceptives. In response, USAID's LEAD project began working closely with local governments to help them forecast the need for, order, and distribute their own contraceptives. To date, 42 LGUs have allocated funds for the local procurement of contraceptives. Some have set aside specific funds from their budget for buying contraceptives. Others have lobbied representatives and senators to set aside funds from their Countrywide Development Funds for contraceptive procurement. In addition, 30 governors have committed to provide funding for contraceptives for the LGUs in their respective provinces. LEAD has provided technical assistance to a total of 146 LGUs to improve their capacity to deliver family planning and related health services.

The private commercial sector share of the overall oral contraceptive pill market has grown significantly in recent years; in 2001, it constituted 31% (6.6 million cycles) of a total market of 21.2 million cycles, while by 2003, the private sector share had reached 53% (10.28 million cycles) of a total market of 19.4 million cycles. This upward trend in pill consumption from the private sector is consistent with the increase in the use of private facilities (pharmacies, private clinics, doctors, and hospitals) as sources of family planning

supplies.

In September 2004, USAID began implementing the Private Sector Mobilization for Family Planning Project. This initiative will complement USAID's assistance to the public sector and will further strengthen the provision of comprehensive and sustainable family planning services in the Philippines.

In 2004, the Well-Family Midwife Clinic Project became a full business franchise operation. Of the 203 midwife clinics, 75% signed a five-year franchise agreement with the Well-Family Midwife Clinic Partnership Foundation, Inc. (WPFI). This is a significant development that ensures midwife clinics will continue to function as family planning clinics providing services that meet quality standards. The WPFI is also a recipient of the first Development Credit Authority award in the health sector and expects to provide loans to midwives in the Metro Manila area in the near future.

Poor health indicators in the Autonomous Region in Muslim Mindanao (ARMM) have led USAID to give priority assistance to this remote and hard-to-reach region. Despite difficult working conditions, the ARMM has now become a major player in family planning. A national fatwa (religious edict) and two provincial fatwas (from Basilan and Tawi-Tawi) in support of family planning were issued in late 2003 and early 2004, respectively. The issuance of these fatwas (proposed and developed by local religious leaders) is a historic event and goes a long way to dispelling the erroneous but widely-held belief that Islam forbids the practice of family planning. These fatwas are now being disseminated at the community level by religious leaders and community workers.

The Enhanced and Rapid Improvement in Community Health (EnRICH) project, which works with multiple partners in the ARMM, has been recently commended by an assessment team as an "outstanding success" due largely to the early and active involvement of the major stakeholders in the design and implementation of family planning and health interventions. These stakeholders include local government officials, health personnel, Muslim religious leaders, community leaders, and civic organizations.

The unique features and situation in the ARMM necessitate innovative approaches for effective delivery of information and services. These include the use of radio for distance learning of evidence-based family planning technology, Friday sermons in mosques to inform the public about the family planning fatwas, a floating clinic to reach previously inaccessible communities in Tawi-Tawi, and the Bishop-Ulama forum in Basilan, which delivered a joint statement in support of the family planning program.

Strategic & Special Objective Closeout Report: Not applicable.

SO: 492-003**SO Title:** Desired Family Size and Improved Health Sustainably Achieved**Program Title:** Family Planning and Health**Status:** Continuing

Indicator	Weight	Baseline Year	Baseline Year Data	Progress Direction + or -	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	Date Last Quality Assess
Contraceptive Prevalence Rate (modern methods)	1	2000	32	+	33.1	34.3	35.1	36.1	34.7	37.6	349	364	2004
Family planning users obtaining supplies and services from private sector sources	2	2000	25	+	26.1	27.6	28.5	29.1	29.2	30.6	333	331	2004
HIV seroprevalence rate among the sentinel risk group below 3% in all sentinel sites	4	2000	0	+	100	100	100	100	100	100	100	100	2004
Participating units achieving at least 85% treatment cure rate for TB	3	2000	0	+	55	58	0	61	0	64	0	67	2003

492-004: Productive Life-Sustaining Natural Resources Protected

Performance Goal: Partnerships, initiatives, and implemented international treaties and agreements that protect the environment and promote efficient energy use and resource management

SO FY 2004 Performance Overview: The environment and energy objective met expectations with continued progress in all program components and achieved results targets in forest management, coastal resources management, and rural electrification. Along the coast, with USAID assistance, local governments and communities placed 4,614 hectares of coastal waters under improved management. Inland, USAID helped maintain 242,235 hectares of forest cover. Energy sector reforms continued to lead the way towards clean, affordable, and adequate energy. USAID brought electricity to an additional 1,410 remote households in conflict-affected areas. Efforts to mitigate the environmental and health hazards posed by poor air quality and improper waste management met with success in both rural and urban areas. USAID initiated a new collaborative effort with Japan to bring clean water and sanitation services to more Filipinos. New policies and laws enacted during the year, such as the Clean Water Act and the ARMM's Sustainable Forest Management Act, provide legal underpinning for long-term success and scaling up of USAID-initiated natural resource management efforts. Notwithstanding continued progress, the program faced several challenges, which include: continued violence and insecurity in some project areas; constrained host country counterpart resources; leadership changes in counterpart agencies; and uneven commitment to key reforms.

The new FY 2005 - FY 2009 strategy allows the environment and energy program to align itself better with the evolving Mission program and with USG objectives. The revised program retains natural resource management as its core goal, transitioning from protection to management, while increasing

relevance to Mission efforts to mitigate conflict, combat terrorism, promote good governance, and increase economic competitiveness in urban as well as rural areas. The program will also sharpen both programmatic and geographic focus, and include strategic efforts to broaden and scale up the effects of USAID's program beyond current target areas. The program will continue to use the GDA business model to leverage resources and commitment from new, private-sector partners, building on successful, ongoing public-private alliance activities. Key indicators will also be updated. The environment and energy objective contributes to Presidential Initiatives on: Water for the Poor, Global Climate Change, Clean Energy, and Illegal Logging.

FY 2004 SO Performance:

Expand And Improve Access To Economic And Social Infrastructure (Energy, ICT, Telecommunications, Transportation, Power, Irrigation, Schools And Health Clinics)

Under the Alliance for Mindanao Off-Grid Renewable Energy (AMORE), USAID and private sector partners provided electricity to 1,410 households, installed 92 streetlights, and electrified 46 community centers in 47 remote and conflict-affected villages in Mindanao using solar and micro-hydro systems. Private firms, such as Mirant Philippines, donated solar panels to complement USAID community preparation activities aimed at ensuring sustainability of the renewable energy systems. AMORE has been consistently recognized for providing better social and economic opportunities for former insurgents in Mindanao, thus contributing to peace efforts. The use of renewable energy-powered light in households also eliminated the emission of 47 tons of carbon dioxide during the year by eliminating the use of kerosene lights. Beyond core alliance partner Mirant, AMORE attracted a range of new partners during the year, including Davao Light and Power, SMART Communication, IBM-Smartkids, UNDP, and the Japanese Embassy's Grassroots Human Security Project. Given AMORE's success in both rural development and resource leveraging, USAID intends to continue renewable energy-based electrification activities under a new AMORE 2 activity that will include new alliance partners Shell and Sunpower.

USAID continued support to the critical and often politically contentious energy sector reforms, with a focus on power industry restructuring, privatization of generation and transmission assets, and reducing dependence on imported fuels by attracting private investment in alternative and renewable energy sources. Unbundling of electricity generation, transmission, and distribution costs - an essential step towards privatization - continued, as the USAID-assisted Energy Regulatory Commission (ERC) unbundled 132 out of 140 utilities' rates, removed inter-class subsidies of 80 utilities, and withdrew two-thirds of intra-grid subsidies, thus bringing the electricity tariffs closer to true generation and transmission costs. Technical support to the Philippine Department of Energy (PDOE) and ERC to promote needed reforms included implementation of the Wholesale Electricity Spot Market, performance based rate setting methodologies for transmission and distribution, training on competition rules and market development, and systems loss analysis. USAID supported PDOE's development of strategic energy plans and processes to rationalize pricing, prevent power shortages, and improve capacity for energy security and management, including consideration of a strategic petroleum reserve.

With the transport sector accounting for 65% of the country's petroleum consumption, energy security efforts also seek to reduce that sector's dependence on imported petroleum products through the use of alternative and indigenous fuels. USAID is working with PDOE to map out a strategy for increasing use of compressed natural gas, coco-methyl ester, ethanol, and hydrogen in the Philippine's future energy mix. USAID also assisted PDOE efforts to become South East Asia's regional wind energy center. In collaboration with USDOE and the U.S. National Renewable Energy Laboratory, USAID agreed to set up wind measurement systems to collect one-year data at ten locations to help private firms assess the commercial viability of wind energy sites. This effort built on previous USAID wind work, including a wind atlas that continues to serve as the basis for commercial wind farm development in Northern Philippines.

Improve Access To Clean Water And Sanitation

In support of the U.S.-Japan Clean Water for People Initiative and the Presidential Initiative "Water for the Poor", USAID and the Japan Bank for International Cooperation (JBIC), together with local partners Development Bank of the Philippines (DBP) and LGU Guarantee Corporation (LGUGC), signed two memoranda of understanding to promote private investment in water and sanitation infrastructure. Under the Municipal Water Loan Financing Initiative (MWLFI), eligible projects will be jointly financed by a JBIC-supported capital facility at the DBP and by private sector investors backed by guarantees of the LGUGC and USAID's Development Credit Authority (DCA). Under a second initiative, USAID and JBIC are exploring development of a Philippine Water Revolving Fund (PWRF) that would combine JBIC capital with a USAID loan guarantee and technical assistance as a means to support credit worthy water infrastructure projects. USAID is conducting a feasibility study for the PWRF and expects to begin design activities in consultation with JBIC partners in the coming year.

Under the U.S. Asia Environmental Partnership (USAEP), USAID also supported passage of the 2004 Philippine Clean Water Act (CWA), which marks a significant step in addressing the continuing decline of the country's water quality that results in an estimated annual economic loss of US\$1.3 billion in health, fisheries production, and tourism. Over the past two years, USAID, through USAEP, worked closely with the Philippine Congress and Department of Environment and Natural Resources (DENR) to ensure active input of stakeholders and the incorporation of international best practices into the CWA via technical exchanges, consultative workshops, and observation programs in the United States.

Improve Sustainable Management Of Natural Resources And Biodiversity Conservation

USAID intensified efforts to improve environmental governance at the national and local levels by building the capability of governments and communities to manage critical forest, coastal, and marine resources. USAID assistance to local governments in coastal areas resulted in an additional 4,614 hectares of coastal waters and 1,942 hectares of marine sanctuaries being placed under improved management. Also, local governments and DENR maintained 242,235 more hectares of forest cover under co-management plans, significantly exceeding our target due to the large demand for forest management planning by local governments. Forty LGUs contributed \$420,000 to conserve and develop coastal and forest resources, through law enforcement, resource rehabilitation, conflict management, and legislative actions.

In a public-private alliance with Masterfoods and the Philippine Cacao Foundation, USAID is promoting the production of cocoa as an effective forest management and livelihood activity. This year, 3,137 farmers (including more than 1,000 women) were trained in cocoa production at project sites in conjunction with the establishment of cacao tree nurseries and cacao propagation. To date, 206,000 cacao seedlings have been produced at 53 nursery sites, with 34,000 seedlings distributed to trained farmers.

Next year, USAID will launch "EcoGovernance 2" - a follow-on to the core natural resource management activity. The new activity will assist targeted LGUs to move from planning to implementation, and more significantly, help them partner with local government leagues and central government to extend planning and management best practices more broadly within the Philippines.

USAID assistance to the GRP on key legislation helped set the stage for continued expansion of effective forest management. A June 2004 Executive Order (EO), "Promoting Sustainable Forest Management", improved enabling conditions for ongoing forest management efforts pending passage of the comprehensive forestry law. The EO creates opportunities for partnerships and decentralized approaches to the development, protection, and management of forests in the context of existing laws. In Mindanao, USAID helped pioneer a consultative process of law development that resulted in the May 2004 ARMM Sustainable Forest Management Act. The new Act incorporates elements of good governance consistent with local customs and religious law, and improves the legal framework for forest management in the ARMM.

In May 2004, a well-attended, USAID-sponsored regional Natural Resource-Based Conflict Workshop led to a DENR decision to designate units to deal with natural resource-based conflicts. The units will conduct an inventory of current and emerging resource-based conflicts that will enable DENR to respond strategically to conflicts over forests, coastal resources, and water. The DENR units will assist local resource managers and users with tools and strategies for mitigating conflicts. USAID also provided legal assistance to over 30 communities to mitigate conflicts over the management of natural resources, particularly in the ARMM. The year also witnessed the launch of two ground-breaking, USAID-supported studies that will inform environmental management in the Philippines for years to come. "In Turbulent Seas: The Status of Philippine Marine Fisheries" comprehensively assesses the status of fisheries management and sets the directions for sustainable fisheries in the country. "Mapping Population-Biodiversity Connections in the Philippines", supported in collaboration with the Mission's Office of Population, Health and Nutrition, analyzes demographic data to explain how population issues affect management of critical biodiversity areas, and provides practical guidance to field practitioners.

Reduce, Prevent And Mitigate Pollution

USAID continued support to promote better regulation, improved technologies, and cleaner fuels as a means to clean up Metro Manila's air shed - currently the fourth most polluted in the world. Building on last year's success in helping establish a national network of private emission testing centers (PETCs), USAID assisted in drafting and implementation of guidelines and procedures for monitoring PETCs. The new Joint Administrative Order, signed by three major government agencies, is now helping maintain the integrity and financial feasibility of the 411 PETCs nationwide. Alongside efforts to help build an effective regulatory system, USAID continued to assist the transport sector in identifying and implementing options to reduce vehicle emissions. Based on studies that demonstrate the value of preventive maintenance in reducing emissions and saving on fuel and oil costs, USAID trained 1,347 bus and jeepney operators on preventive maintenance practices. A post training survey revealed that 96% of trainees were practicing their new skills and increasing their average monthly net income by P5, 000 (\$90). To sustain this effort, USAID helped organize the "Champions for Reduction of Air Pollution from Vehicle Emissions", a federation of Metro Manila transport operators that will serve as a mechanism for continued information sharing. USAID support to cleaner fuels received an important boost during 2004 from two important GRP decisions signaling political commitment in this area. First, an Executive Order initiated an effort to begin conversion of Manila bus fleets to compressed natural gas (CNG). The private sector followed the GRP's lead, signing contracts with U.S. engine manufacturer Cummins Westport for 100 CNG-powered buses, which will begin serving Manila in 2005. Second, a Presidential Circular mandated all government diesel vehicles to use the indigenous, cleaner coco-methyl ester (CME) as a fuel additive. Use of CNG and CME also support the GRP's energy security strategy by reducing dependence on imported fossil fuels.

USAID continued efforts to strengthen the capability of DENR and local governments to manage waste through recycling, composting, and appropriate disposal practices. Survey results from eleven LGUs currently assisted indicate that an average of 11% of waste is now being diverted to recycling and composting - waste that might otherwise end up degrading rivers, streams, and coastal areas. The USAEP trained 112 government officials in hazardous waste management through a four-module certificate course conducted by the U.S. Environmental Protection Agency in partnership with the University of the Philippines (UP). This course is now institutionalized at UP's National Engineering Center as part of its continuing education program, in which a number of USAID-trained officials now serve as resource speakers. Next year, USAID will launch a new public-private partnership with hotels, resorts, dive shops, and communities in coastal tourism areas aimed at reducing the amount of solid waste left at beaches and nearby coral reefs through appropriate disposal technologies and reducing organic pollution by introducing affordable sanitation facilities.

Strategic & Special Objective Closeout Report: Not applicable.

SO: 492-004

SO Title: Productive Life-Sustaining Natural Resources Protected

Program Title: Environment and Energy

Status: Continuing

Indicator	Weight	Baseline Year	Baseline Year Data	Progress Direction + or -	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	Date Last Quality Assess
Hectares of coastal resources brought under improved management	5	2000	12000	+	30560	30000	31870	35340	35600	40000	40214	40945	2004
Hectares of forest cover maintained	2	2002	0	+	0	0	0	64000	42100	113750	284335	304335	2003
Number of households in remote areas of Mindanao electrified with RE	4	2002	0	+	0	0	300	2940	2840	4320	4250	5750	2003

492-010: Prospect for Peace in Mindanao Strengthened

Performance Goal: Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states.

SO FY 2004 Performance Overview: USAID's activities under SO10 seek to address some of the underlying problems that have created conditions conducive to conflict in Muslim Mindanao, especially: lack of economic opportunities and perceived neglect by both local and central governments. Activities consist of efforts to reintegrate former combatants and their communities into the mainstream economy; improve economic infrastructure; accelerate business and economic development; increase access to microfinance services; and improve governance and expand availability of social services.

Under the Mission's newly approved strategy, SO10 will be superseded by SO12: "Conflict Reduced in Mindanao and Other Areas Vulnerable to Violence" starting in FY 2005. Thus, FY 2004 is the final year of obligation for SO10. Much of SO10's programs are focused on the Moro National Liberation Front (MNLF); the new SO12 addresses conflict more comprehensively and may work with other groups, such as the Moro Islamic Liberation Front (MILF), in the event that they strike a peace deal with the GRP, and potentially in other geographic areas, including outside Mindanao, depending on political developments. SO10 activities will still continue until FY 2006 to allow completion of activities funded with previous years' obligations.

Performance in FY 2004 towards achievement of the strategic objective exceeded expectations. Livelihood assistance reached more than the targeted number of former combatants. The opportunity to make a peaceful living is serving to dissuade former combatants from rejoining violent and unlawful activities. If peace is forged between the GRP and the MILF and adequate funds are made available, USAID is ready to extend this program, quickly to include former MILF combatants and their communities.

After a slow start in FY 2003, construction activities ramped up significantly this year to more than make up for the lag in infrastructure projects last year. Completed community infrastructure projects, mostly solar dryers, warehouses, and boat landings, are now improving post-harvest handling and the transport of local products, resulting in lower transport costs and improved family incomes for thousands in conflict-affected areas. The infrastructure projects are also demonstrating that there is a peace dividend to those

who support the peace process.

USAID partnerships with Parent-Teacher-Community Associations and the private sector improved educational facilities in the ARMM. Technical assistance to rural banks and credit cooperatives resulted in expanded savings mobilization and increased microlending activities, beyond the targets established for FY2004. USAID assistance in business development, marketing and adoption of new technology, largely through Business Support Organizations (BSOs), is helping Mindanao producers penetrate the Chinese and other international markets, particularly in tuna, seaweeds, fruits, high value vegetables, and aquaculture products. Governance training served to strengthen institutional capacity of the ARMM Government.

FY 2004 SO Performance:

Address Conflict Transitional Issues

USAID provided technical assistance and production support to an additional 4,165 former combatants, bringing to 25,165 the cumulative number of former combatants who are now peacefully making a living through farming and aquaculture activities. Some 67 post-harvest facilities that were provided to their communities are helping improve post-harvest handling of their produce, thus improving quality and enabling them to obtain better prices in the market.

Expand And Improve Access To Economic And Social Infrastructure (Energy, ICT, Telecommunications, Transportation, Power, Irrigation, Schools And Health Clinics)

Some 202 Community Infrastructure Projects (CIP) and 10 Mid-scale Infrastructure Projects (MSIP) are under construction or have been completed in the ARMM and neighboring conflict-affected areas in Mindanao. These projects, which include road and bridge improvements, warehouses, solar dryers, footbridges, community centers, new jetties, community water systems, and port improvements, will benefit over 800,000 people by helping improve rural productivity and health, and reducing transport costs. In addition to infrastructure construction, USAID worked with government partners to convince mobile phone service providers to expand their coverage in the Sulu Archipelago, considered lair of the Abu Sayyaf. As a result, five new cell sites were installed in locations recommended by USAID consultants that will provide telephone access (and integration) to approximately 480,000 people.

To improve educational facilities and encourage community support for education improvement, USAID supplemented contributions of Parent-Teachers-Community Associations under a Matching Grant Program. Thus far, USAID has provided matching grants to 105 schools, with a total enrollment of about 95,000 students, to make such improvements as developing school libraries and establishing science labs or multi-media rooms. Through partnerships with the Ayala Foundation, STI, Microsoft, and Intel, USAID provided internet connections and computers to 104 schools in the ARMM and neighboring conflict-affected areas of Mindanao, benefiting approximately 135,000 students and 5,000 teachers. Partnerships with the private sector under this program are valued at more than \$900,000.

Increase Private Sector Growth

Exports to China of key commodities produced in the fruit, vegetables, and fishing industries increased by 34% to \$9.6 million in FY 2004 (almost four times the 2002 levels) as USAID assistance at marketing, business matching, and information sharing generated interest among Chinese buyers for products from Mindanao. Following establishment of the "cold chain" for vegetables from farms in Bukidnon, Mindanao, vegetable shipments to the Manila market using the cold chain have increased 200% since December 2002, providing increased incomes for small farmers.

Strengthen The Financial Sector's Contribution To Economic Growth

Under USAID's Microenterprise Access to Banking Services (MABS) Project, 81 rural bank units received training and technical assistance to develop their capability to profitably provide financial services to microenterprises. This brings to 198 the total number of rural bank units participating in the program. Among these banks, a total of P4.8 billion in loans (approximately \$85.7 million) have been granted to 157,000 microenterprises; about 46,000 of these microenterprises began accessing loans from rural banks in 2004. Roughly 85% of MABS participating rural bank clients are women microentrepreneurs. As in the past, most of the funds needed to finance the loans continue to be financed by deposits mobilized from 242,000 new micro-depositors now regularly saving at the participating banks. About 54,000 of the depositors opened their accounts in FY2004. All participating banks are finding microfinance to be profitable and as a result, many other rural banks have expressed interest in serving this segment of the population. As a result, MABS is working with thrift banks with the potential to expand microfinance services to their large network of branches.

MABS also initiated the design and development of a micro-agri loan product to address the lack of credit services to the agriculture sector. Also, the RB2000 bank management software developed under the MABS Project to allow banks to more efficiently manage their microfinance portfolio is now installed in 113 branches of 73 rural banks; 22 of these installations were made in FY2004.

USAID assists credit unions throughout Mindanao to become "Model Credit Unions" that follows best practices in portfolio management, maintaining security of funds, and controlling delinquent accounts. Some 114 credit cooperative branches are participating in the CUES Project, 17 of which are located in the ARMM and the conflict-affected areas of Mindanao. Loans totaling P3 billion (approx. \$54 million) have been granted by these credit cooperatives, while savings and shares amounting to P3.5 billion (\$62 million) have been mobilized. Total membership has grown from 121,000 in 1998 to about 470,000 at present. A Model Credit Union Network (MCN) to implement an internal prudential regulatory framework for its members has also been established.

Support Democratic Local Government And Decentralization

Through seminars, round table events, and classroom-based instruction, USAID has trained more than 155 personnel, from diverse line agencies, in an effort to strengthen institutional capacity in the ARMM. Working with a range of individuals and training organizations, such as the Asian Institute of Management, selected personnel from each line agency have received intensive training in the requirements of the new National Procurement Law, and additional personnel have been trained in the utilization of the automated personnel tracking system.

Strategic & Special Objective Closeout Report: Not applicable.

SO: 492-010**SO Title:** Prospect for Peace in Mindanao Strengthened**Program Title:** Conflict Resolution in Mindanao**Status:** Continuing

Indicator	Weight	Baseline Year	Baseline Year Data	Progress Direction + or -	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	Date Last Quality Assess
Cumulative number of former combatants reintegrated into the economy	4	2000	11300	+	13000	17000	16200	21000	21000	25000	25165	26165	2003
Cumulative number of mid-scale and community infrastructure construction started	2	0	0	+	0	0	0	85	27	192	212	400	2003
Cumulative number of new microenterprise borrowers	4	2000	11314	+	37615	50000	72000	108000	107000	144000	157000	230000	2004
Cumulative number of new micro-savings accounts established	4	2000	7500	+	90386	100000	137000	170000	175000	210000	242000	300000	2004

492-011: Increased Access to Quality Education and Livelihood Skills in Selected Areas**Performance Goal:** Broader access to quality education with an emphasis on primary school completion

SO FY 2004 Performance Overview: With the approval of the Education SO at the end of FY 2003, much of FY 2004 was devoted to program start up, e.g., staffing the new Office of Education (OEd) and identifying the main contractor and grantees to implement the program. In September 2004, USAID executed a contract with Creative Associates International, Inc. and cooperative agreements with six Public-Private Alliance partners namely: Brother's Brothers Foundation, the International Youth Foundation, Knowledge Channel, Real World Productions, Save the Children, and Synergeia Foundation. Together, these partners will implement USAID's new EQuALLS--or Education Quality and Access to Learning and Livelihood Skills -- Project, which will focus on improving the foundation skills of reading, English and numeracy, particularly among students in grades one through three to help mitigate high drop out rates in later grades, as well as provide livelihood training and job placement services for out-of-school youth.

To jumpstart SO11, USAID, through a Participating Agency Services Agreement (PASA) with the Peace Corps, initiated in September 2003 the Pilot Education Assistance Program for Mindanao to train teachers of English and Information Communication Technology (ICT) from the Autonomous Region for Muslim Mindanao (ARMM) and other conflict-affected regions. The Peace Corps conducted three train-the-trainer workshops in FY 2004, reaching 116 teacher trainers from the ARMM and regions IX and XII. These trainers then conducted four follow-on training programs for elementary and high school teachers from conflict-affected areas within the ARMM, and regions IX and XII. A total of 328 teachers have been retrained in how to teach English and ICT more effectively.

With Congressionally earmarked funds, USAID issued a grant to the American Foreign Policy Council-

Asia Pacific Initiative (AFPC-API) to implement a model schools project under its existing Development for Peace in Sulu program. Seven elementary and five high schools in Jolo are being established as model schools that now have basic school supplies and equipment (such as desks, chairs, blackboards, and generators) and increased involvement by parents, teachers, and the community. These schools will have the potential to serve as teacher training and vocational training centers.

FY 2004 SO Performance:

Improve Quality Of Workforce

The AFPC-API project provided funding to the Fisheries High School in Jolo for sardine canning, smoked fish production, and local fruit preserves to help them establish a training program in small business management and create a source of income for the school.

Improve The Quality Of Basic Education

Under the Pilot Education Assistance Program for Mindanao, the Peace Corps trained 116 trainers from the ARMM and regions IX and XII. In turn, these trainers have conducted training workshops for 328 elementary and high school teachers to improve the teaching of English and ICT. The feedback from the training to date has been excellent.

As a first step in introducing multi-media technology to classrooms, the AFPC-API purchased the local ABS-CBN Education Television series for its model elementary schools while ABS-CBN Foundation provided televisions, DVD players, and an entire set of DVDs containing the core curriculum. The school communities have responded by taking a more active role in improving the school environment, including cleaning and repainting classrooms.

Promote Public-private Alliances As A Principal Business Model

At the end of September, 2004, USAID issued cooperative agreements to six public-private alliances (PPAs) who will serve as key partners in the implementation of the Education SO. Through these partnerships, USAID is able to tap into their resources, expertise, and innovation. They bring significant funding leverage into the EQuALLS Project, totaling \$38.9 million (including \$24 million in school books), or a ratio of 1 (from USAID) to 3.3 (from the partners). Implementation of the programs, which are two to three years in duration, started in FY 2005.

The six PPAs and their partners are as follows: (1) International Youth Foundation with the following partners: Ayala Foundation, Consuelo Foundation/Notre Dame Foundation for Charitable Activities, Inc. - Women in Enterprise Development (NDCFI-WED), Southeast Asian Ministers of Education Organization Regional Center for Educational Innovation & Technology (SEAMEO INNOTECH), Petron Foundation/Philippine Business for Social Progress (PBSP), NOKIA, Pearson, and Globe Telecom; (2) Save the Children and partners Pacific Resources for Education and Learning (PREL), Mindanao Business Council (MBC), and the Department of Education (DepEd); (3) Knowledge Channel Foundation and partners Central CATV, Philippine Cable TV Association, ABS-CBN Broadcasting Corporation, National Broadcasting Network, and DepEd; (4) Synergeia Foundation with partners University of Notre Dame of Marbel, Project JOSIE, National Museum, the Local Governments of Datu Paglas, Upi, Barira, and Marawi City, Naga City Government, Eskwelahan sang Katawhan, and DepEd; (5) Real World Alliance and partners Ateneo de Zamboanga University and SEAMEO INNOTECH; and (6) Brother's Brother Foundation with the Rotary Club of Makati (RCM) and Allied Bank.

The PPAs are undertaking the following activities:

- Improving school infrastructure by constructing or repairing school buildings; providing desks, chairs, textbooks, and reference books; and providing educational technology equipment such as

computers, televisions, and radios;

- Together with DepEd national and DepEd-ARMM, in selected municipalities of Sulu, Maguindanao, Zamboanga del Sur, and Cotabato, providing accredited non-formal education opportunities (either through alternative learning classes or self-paced learning modules) to out-of-school youth to enable them to pass equivalency tests and re-enter the formal school system;
- Implementing distance learning (through satellite TV, cable TV, and radio) in formal classroom settings (e.g. science, math and English for grades five and six) and non-formal community learning centers (e.g. English and livelihood skills). This would also include teacher training in the use of these media. These distance learning activities are currently in the areas of Maguindanao, Tawi-Tawi, Lanao del Sur, Sulu, and Basilan, but can be targeted, as needed, to particular schools or municipalities in other CAAs;
- In coordination with DepEd and DepEd ARMM, modification and adaptation of curricula and materials for math, science, and English in public elementary schools and pilot madaris to take into account community norms, English language deficits, and contextualized learning needs;
- Improving reading skills for grades one through three students in Datu Paglas, Upi, Barira, and Marawi City, with possible relevance as a model for other areas;
- Establishing a youth apprenticeship program for out-of-school youth with member companies of the Mindanao Business Council; and
- Training out-of-school youth in livelihood skills, including entrepreneurship, with non-formal facilitators and through distance learning (TV, radio, and audio).

Strategic & Special Objective Closeout Report: Not applicable.

SO: 492-011

SO Title: Increased Access to Quality Education and Livelihood Skills in Selected Areas

Program Title: Education

Status: Continuing

Indicator	Weight	Baseline Year	Baseline Year Data	Progress Direction + or -	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	Date Last Quality Assess
Number of out-of-school youth trained and obtained jobs or return to formal schooling	2	2002	0	+	0	0	0	0	0	0	0	0	2004
Percent of primary school teachers who are certified to teach according to national standards	2	1998	14	+	0	0	0	0	0	0	0	0	2004
Primary completion rate (grades 1-6) - percent	1	2001	51	+	0	0	0	0	0	0	0	0	2004

492-012: Conflict Reduced in Mindanao and Other Areas Vulnerable to Violence

Performance Goal: Stable political and economic conditions that prevent terrorism from flourishing in fragile or failing states.

Program Title: Conflict Resolution in Mindanao and Other Areas

Status: New in FY 2005

Indicator	Weight	Baseline Year	Baseline Year Data	Progress Direction + or -	FY2001 Actual	FY2002 Target	FY2002 Actual	FY2003 Target	FY2003 Actual	FY2004 Target	FY2004 Actual	FY2005 Target	Date Last Quality Assess
Cumulative number of former combatants reintegrated into the economy	1	2004	25165	+	0	0	0	0	0	0	0	0	2003
Cumulative number of mid-scale and community infrastructure construction started	1	2004	212	+	0	0	0	0	0	0	0	0	2003
Cumulative number of new microenterprise borrowers	1	2004	157000	+	0	0	0	0	0	0	0	0	2004
Cumulative number of new microsaving accounts established	1	2004	242000		0	0	0	0	0	0	0	0	2004

C. SO Level FY 2007 Plan Narrative:**492-002:**

Program Title: Economic Governance

SO FY 2007 Plan Overview

USAID's economic governance objective will continue to address issues which cause slow and unsustainable growth, conflict, and corruption, by helping improve performance of selected government institutions. Much of this work is focused on demand-driven policy reform and entails capitalizing on "targets of opportunity" that emerge as GRP's priorities shift and evolve.

Strengthen The Financial Sector's Contribution To Economic Growth

This program will continue support for improving regulation of financial markets.

Increase Participation In Global Trade And Investment

This program will continue support for trade facilitation and liberalization, and IPR protection; and help promote competition and private sector involvement in infrastructure and ICT.

Improve Economic Policy And Governance

This program will continue support for strengthening economic governance with focus on tax administration and corruption. Microeconomic reforms to improve the operation of industries and allow the Philippines to take advantage of international trade are also envisaged.

Promote And Support Anti-Corruption Reforms

This program will continue support for the GRP's anti-corruption initiatives. USAID expects to help train the high numbers of anticipated new staff (investigators and prosecutors) of the Office of the Ombudsman and to help guide the Office's planned public information campaign on anti-corruption. USAID also plans to support the Anti-Graft Court's (Sandiganbayan) adoption of reforms that will allow continuous trials and significantly cut the amount of time it will take to try a case compared to the current 7.5 years. USAID will also work with civil society to raise awareness and inform the debate on corruption and to implement the new procurement reform act.

Improve Justice Sector/Legal Framework

This program will continue assistance for justice sector reforms, in such areas as promoting mediation, which has proven to be as effective in reducing the huge backlogs in court cases as hiring scores of new judges. USAID expects to continue working in close collaboration with the Chief Justice, particularly with respect to training of court personnel.

492-003:

Program Title: Family Planning and Health

SO FY 2007 Plan Overview

The US government's investment in health and family planning service delivery in the Philippines is based on a conviction that a long-term commitment is required if any lasting impact is to be achieved. It also acknowledges that leveraging change often requires a critical level of investment and participation in a particular sector. For this reason, USAID has selected a limited number of critical areas to support in the health sector. These are family planning, Tuberculosis (TB), micronutrient deficiency and HIV/AIDS. The following years will be critical to increasing the capacity of the country's health system, both public and private, to plan for and deliver quality services. This will be particularly challenging in the Autonomous Region in Muslim Mindanao (ARMM) where services are difficult to access, infrastructure is inadequate and weak governance means that resources do not always reach the populations they should.

USAID's planned investment in the sector for FY 2007 is estimated at \$28 million. This level will be critical given the drop to \$21.4 million in FY 2006. At a funding level below \$28 million in FY 2007, USAID will need to seriously consider removing components from the SO3 strategy. We have determined that it would be better to drop nutrition or TB rather than lose the important momentum that has begun in the public and private sectors in support of family planning.

Reduce Unintended Pregnancy And Improve Healthy Reproductive Behavior

Perhaps USAID's most critical investment in the health sector is the support of family planning service provision and communications by informing the public and policy makers. USAID will continue to invest in the public sector to assist it in budgeting, forecasting, ordering contraceptives and supplies and delivering quality family planning services to the population who cannot afford to pay and do not have access to adequate health insurance. By FY 2007, assistance to the local governments will be more difficult and time consuming as we will be reaching out to the hardest to reach populations, especially those on distant islands and marginalized regions.

To complement the role of the public sector, USAID is also stimulating participation by the private sector to provide the commodities and family planning services needed by the population that can afford to pay. Providing support to this sector is often difficult. In FY 2007, we will be providing support to medical training institutions to improve information and training in current family planning methods. This will also include an extensive outreach to update health practitioners who may have never received any formal training in family planning. A large investment will involve the workplace delivery of family planning and industry involvement is planned over the next three years. We expect to continue developing new initiatives to introduce the delivery of family planning through the private sector.

Critical to getting the public and private sector engaged and working effectively will be the improved knowledge, attitude and ultimately practice of the general population to family planning. Centuries of conservatism and fear cannot be undone quickly. Our investment in message development and improved media coverage will be required for several years to come. New materials must continue to be developed to keep interest high. Politicians and other decision makers change constantly and new ones require support to understand the importance of managing population growth and its health and social consequences.

We also anticipate that our current work with the ARMM will result in a greater absorptive capacity in the region to utilize much needed resources to provide the local population the wide range of effective contraceptive services required to address high levels of fertility in the region.

Reduce Transmission And Impact Of HIV/Aids

Many Filipinos in high risk groups engage in practices that could accelerate infection rates of HIV/AIDS. Sexually transmitted diseases are high, condom use is low and injecting drug users (who are increasing) have unsafe practices such as sharing their needles and not using new needles exclusively.

Even if the prevalence rates remain the same within high risk groups, USAID will continue to support education and surveillance efforts while examining the threat in the general population. Additional resources would easily go toward producing more informational materials, especially for the high risk populations who can be transient and risk infecting the rest of the country. We also plan to mobilize support and ownership of HIV/AIDS prevention, treatment and care programs at the local government level.

Prevent And Control Infectious Diseases Of Major Importance

Tuberculosis in the Philippines will continue to be one of leading causes of death. Currently 50 percent of Filipinos are infected with TB. While most are not actively ill or infectious, this number could dramatically increase if another disease like SARS, Asian Bird Flu or HIV/AIDS became prevalent thus reducing the infected persons' ability to maintain a non-active TB status. For this reason USAID will continue to make a significant contribution to supporting TB efforts in both the public and private sectors. In particular, we have developed innovative models to expand diagnosis and treatment services provided by private practitioners, thus maximizing coverage of the population. This is a challenge considering the lack of experience with this approach anywhere else in the world.

Improve Maternal Health And Nutrition

While the law is now in effect that requires all staples (salt, sugar, flour and oil) to be fortified with specific micronutrients, enforcement of this law remains a huge challenge. By FY 2007 USAID anticipates that our contribution to this task will have shifted to helping increase demand and consumption of the fortificants.

Improve Child Survival, Health And Nutrition

Vitamin A supplementation should be well underway in the national program but it is anticipated that in FY 2007 USAID will continue to provide specific assistance to the ARMM where supplementation rates are

dangerously low and are slow to rise.

Build Health Systems Capacity

Investment in promoting policies that keep the cost of TB and family planning drugs and supplies affordable will be critical. We also anticipate a continuing role to play in supporting the National Health Insurance system to ensure that benefits are provided to the right people for their critical needs, including family planning and TB diagnosis and treatment. Focusing public funds to provide services and products to the poor and mobilizing the private sector to serve the non-poor will promote efficiency and access to services.

492-004:

Program Title: Environment and Energy

SO FY 2007 Plan Overview

USAID's environment and energy objective will continue to fund activities aimed at strengthening management of key natural resources, with a geographic focus on Mindanao and other conflict-affected areas, as well as on high-biodiversity sites.

Reduce, Prevent And Mitigate Pollution

USAID will continue to pursue activities that will improve air quality by reducing vehicle emissions, increase geographic coverage of efforts to improve waste management, and assist the GRP to identify hazardous wastes management options.

Improve Sustainable Management Of Natural Resources And Biodiversity Conservation

USAID will continue promotion of good environmental governance of forestry and coastal-marine resources to 90 local government units, and assist the GRP in wider application of best management practices.

Improve Access To Clean Water And Sanitation

Limited activities to promote investment in water and sanitation infrastructure would be maintained, and USAID will also continue to raise public awareness campaigns in support of access to water and sanitation services.

Expand And Improve Access To Economic And Social Infrastructure (Energy, ICT, Telecommunications, Transportation, Power, Irrigation, Schools And Health Clinics)

Broadening coverage of rural, renewable energy systems will continue, along with strategic support to national energy sector reform efforts with focus on effective sector regulation and increased energy security.

492-011:

Program Title: Education

SO FY2007 Plan Overview

Two of the six public-private alliance partners (PPAs) of EQuALLS will have implemented their programs under the cooperative agreements executed in 2004, and the remaining four will be entering their final year. The institutional contractor will continue to assist the Education Office in implementing programs and activities. The PPAs may now be in the position of replicating with their own funds the good models and best practices that they developed in partnership with USAID.

Improve The Quality Of Basic Education

Grade 3 students will be the beneficiaries of improved teaching and materials; new schools will be beneficiaries of Educational TV and improved teaching/learning materials; alternative learning systems will be strengthened or developed in new regions; and new groups of teachers will receive in-service training; new sites will be targeted for school infrastructure improvements/construction, textbook, provision and community empowerment. New private schools (including Islamic schools) will be supported in their efforts to improve their curricular offerings and teacher performance during 2007.

Improve Quality Of Workforce

Vocational education and work skills training will be continued to give new groups of out-of-school youth (OSY) opportunities for regional or local employment. Livelihood training programs will be expanded to help OSY become entrepreneurs. Support will be provided to strengthen training institutions to enhance the level of professionals in education and technical/vocational fields.

492-012:

Program Title: Conflict Resolution in Mindanao and Other Areas

SO FY 2007 Plan Overview

USAID activities under SO12 will continue to seek to address some of the underlying causes of the conflict. They aim to reintegrate former combatants and their communities into the mainstream economy; improve economic infrastructure in conflict-affected areas; accelerate economic and business development; increase access to microenterprise services; and improve governance and expand availability of social services in conflict-affected areas.

Strengthen The Financial Sector's Contribution To Economic Growth

USAID will continue to provide technical assistance to rural and thrift banks to enable them to profitably serve microenterprises. Approximately 60 new rural banks will begin servicing microenterprises. At least 120,000 new microfinance borrowers will receive access to financial services in FY'07.

Increase Private Sector Growth

USAID will continue to support Mindanao-wide economic growth and the development of mechanisms to support the private sector, especially through Business Support Organizations (BSOs). Subject to further evaluation, similar activities may be developed in other parts of the country where poverty, social injustice and instability are most pronounced. USAID will also shift an additional 3,000 beneficiaries of livelihood assistance to production and marketing of higher value fruits, vegetables and aquaculture products.

Expand And Improve Access To Economic And Social Infrastructure (Energy, ICT, Telecommunications, Transportation, Power, Irrigation, Schools And Health Clinics)

USAID will continue efforts to construct mid-scale and community infrastructure projects designed to spur development and provide a tangible peace dividend to those who have abandoned conflict.

Support Democratic Local Government And Decentralization

USAID will broaden its program to promote peaceful resolution of disputes associated with clan conflict, land disputes, and other key sources of conflict. Activities in areas related to natural resource-based conflicts will be complemented and reinforced by specific project activities in environment (managed by SO4, but coordinated with SO12). USAID will continue to enhance access to justice by supporting

programs such as alternative dispute resolution, mediation, and building the capacity of local level barangay justice system. Support for further initiatives to give “voice” to politically and socially marginalized groups will be provided.

Address Conflict Transitional Issues

Assuming that peace between the MILF and GRP is in place, USAID will provide assistance to the remaining MILF combatants and their communities. Programs for indigenous peoples affected by conflict may also be developed.

D. Resource Request Narrative

(Reserved)

E. Results Framework

492-002 Governance of Economic and Legal Systems Improved

Program Title: Economic Governance

SO Level Indicator:

- Domestic tax effort (%)
- Gross capital formation (%)
- Growth in private formal sector employment - female (%)
- Growth in private formal sector employment - male (%)
- Level of trade protection (effective protection rate %)

- 2.1:** Judicial efficiency improved
- 2.2:** Government policy and administration improved
- 2.3:** Innovations in trade and investment programs promoted

Discussion: Under the recently approved strategy for FY 2005-2009, the SO2 statement has been changed to "Performance of Selected Government Institutions Improved".

492-003 Desired Family Size and Improved Health Sustainably Achieved

Program Title: Family Planning and Health

SO Level Indicator:

- Contraceptive Prevalence Rate (modern methods)
- Family planning users obtaining supplies and services from private sector sources
- HIV seroprevalence rate among the sentinel risk group below 3% in all sentinel sites
- Participating units achieving at least 85% cure rate for TB

- 3.1:** LGU provision and management of FP/MCH/TB/HIV-AIDS services strengthened
- 3.2:** Provision of quality services by private and commercial providers expanded
- 3.3:** Greater social acceptance of family planning achieved
- 3.4:** Policy environment and financing for provision of services improved

Discussion:

1. Contraceptive Prevalence Rate (Modern Methods)

Annual target for this indicator are being modified, as follows:

Year	Target
2005	36.4
2006	37.9

The modified targets are based on the trends reported in the 2003 National Demographic and Health Survey (NDHS) and the 2004 Family Planning Survey (FPS). Both surveys used a sampling frame derived from the 2000 Philippines Census of Population. Prior to 2003, trends in contraceptive prevalence rates and targets were incorrectly estimated.

2. HIV seroprevalence rate among the sentinel risk group below 3% in all sentinel sites

For clarity and consistency with the SO indicator table, this indicator is defined as the proportion of sentinel sites with <3% HIV seroprevalence rate among the most at-risk groups. Thus, a performance of 100% means that 10 out of 10 sentinel sites have HIV seroprevalence rates below 3% among the most at-risk groups.

3. Participating units achieving at least 85% cure rate for TB

The SO is proposing to use "cure rate" rather than "treatment success rate" because this is the indicator used by the Department of Health (DOH). The modification is necessary for consistency and facility in monitoring and reporting.

Specifically, this indicator refers to the proportion of participating units that is achieving 85% cure rate for TB out of all participating units enrolled in the program. Participating units are Local Government Units (LGUs) and private sector facilities (university-based, industry-based, individual medical practice, etc.) that are enrolled in a USAID-assisted project for at least one year.

492-004 Productive Life-Sustaining Natural Resources Protected

Program Title: Environment and Energy

SO Level Indicator:

Hectares of coastal resources brought under improved management

Hectares of forest cover maintained

Number of households in remote areas of Mindanao electrified with RE

4.1: Improved energy sector performance

4.2: Improved environmental governance

4.3: Improved urban environmental governance

Discussion: Under the recently approved strategy for FY 2005-2009, the SO4 statement has been changed to "Management of Productive Life-Sustaining Natural Resources Strengthened".

492-010 Prospect for Peace in Mindanao Strengthened

Program Title: Conflict Resolution in Mindanao

SO Level Indicator:

Cumulative number of former combatants reintegrated into the economy

Cumulative number of mid-scale and community infrastructure construction started

Cumulative number of new microenterprise borrowers
Cumulative number of new microsavings accounts established

- 10.1: Reintegration of former combatants and their communities
- 10.2: Improving economic infrastructure in conflict-affected areas
- 10.3: Accelerating economic and business development of Mindanao
- 10.4: Increasing access to microfinance services
- 10.5: Improving governance and delivery of social services in the ARMM

492-011 Increased Access to Quality Education and Livelihood Skills in Selected Areas

Program Title: Education

SO Level Indicator:

Number of out-of-school youth trained and obtained jobs or return to formal schooling
Percent of primary school teachers who are certified to teach according to national standards
Primary completion rate (grades 1-6) - percent

- 11.1: Access to learning opportunities increased
- 11.2: Improved quality of instruction for reading, English, math and science
- 11.3: Programs for out-of-school youth operating
- 11.4: Improved policies and better capacities

492-012 Conflict Reduced in Mindanao and Other Areas Vulnerable to Violence

Program Title: Conflict Resolution in Mindanao and Other Areas

SO Level Indicator:

Cumulative number of former combatants reintegrated into the economy
Cumulative number of mid-scale and community infrastructure construction started
Cumulative number of new microenterprise borrowers
Cumulative number of new microsavings accounts established

- 12.1: Economic opportunities expanded in conflict-affected areas
- 12.2: Strengthened local governance in conflict-affected areas
- 12.3: Improved support systems and programs for former combatants and their communities

